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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001248

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TAGS: [TSPA](#) [ETTC](#) [KSCA](#) [TW](#)

SUBJECT: NSPO LANCE WU INVESTIGATED FOR CORRUPTION

REF: TAIPEI 0239

Classified By: ECONOMIC SECTION CHIEF DANIEL K. MOORE FOR REASONS 1.4 B  
/D

11. (C) SUMMARY. Local media reported 5/31 that National Space Program Office NSPO Director Lance Wu is under investigation for corruption. The allegations include bid-rigging and conflict of interest for personal profit. As noted in reftel, NSPO has already been the subject of investigations this year and last. This latest scandal is likely to see major changes at NSPO. END SUMMARY.

#### BID RIGGING IN FAVOR OF CANADIAN COMPANY

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12. (C) Lance Wu's days as NSPO head appear numbered as the Media reported on May 31 that prosecutors have initiated an investigation into allegations of corruption by Wu. Foremost is the accusation that he mismanaged the bidding process on the ARGO satellite program. ARGO is named for the indigenous remote sensing satellite that was planned as part of the cluster of six satellites attached to the German Rapideye system. ARGO has a 6.5 meter resolution and will be used for land surveying. Wu limited bidding for the project and awarded the contract to the Canadian company Mcdonald Detwiler & Associates (MDA). Wu is alleged to have used his friend, Chen Hsia-lin, to broker the deal. NSPO awarded MDA a NT\$900 million (30 million USD) contract but MDA was unable to secure an export permit from the Canadian government. The contract was subsequently given to the Italian firm STI.

#### CONFLICT OF INTEREST IN CONTRACTING COMPUTER SERVICES

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13. (C) Wu allegedly also chose a small little-known vendor to supply the bulk of NSPO's computer needs. The vendor is owned by a former U.S. schoolmate of Wu's. News reports said that the owner's wife, who is also the manager, was at one point NSPO's planning control section chief. Wu was questioned earlier in May about long absences from his job. The parent organization of NSPO, National Applied Research Laboratories (NARL) continues to look into the issue of time on the job. Media reports that investigators suspect Wu may have spent a good portion of his working hours looking after his private investments.

#### MANAGEMENT WOES AT NSPO

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14. (C) Wu became director of NSPO after working at the Industrial Technology Research Institute (ITRI) and in a subsidiary of the ACER computer company as general manager. At ITRI he acquired a reputation as an idea man for his numerous suggestions. When Wu joined NSPO in 2004, his penchant for wheeling and dealing and disregard for convention got him into trouble. According to media reports, two of his projects, the ARGO and CYCLOPS satellite systems, generated controversy due to their closed-bidding which was handled by his business friend Chen Hsia-lin. When Wu was called in to testify at the Legislative Yuan to explain irregularities, his bosses at NARL and NSC refused to back him up. Wu subsequently got rid of Hsiao Chiu-der, one of his two deputies, by providing information to the authorities that led to Hsiao's arrest for leaking secrets. Hsiao, however, has an ally in Taiwan Solidarity Union (TSU) legislator Liao Pen-yan, who is the prime mover behind the latest corruption charges against Wu. After moving Hsiao out of the chain of command, Wu appointed two technical directors to help run NSPO. Technical Deputy Director Wu An-ming is temporarily in charge of NSPO while the investigations continue.

COMMENT.  
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15. (C) Wu's current contract expires in July. Even if not found guilty, it does not seem likely he would be given an extension. The NSPO parent organization NARL, or ultimately the National Science Council (NSC), will need to focus on overhauling the management of NSPO. Space projects currently in the pipeline will also be carefully scrutinized for any

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irregularities. Undoubtedly, this will lead to further delays. NSPO's goal of building and launching its own satellite by 2011 may well have to stretch on into the future. END COMMENT.

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